I. Executive Summary

The Eller College touches many of the students who enroll at The University of Arizona. Eller is the 4th largest UA college in terms of total student credit hours, and the second largest in terms of degrees awarded, with 15-16 percent of all University of Arizona degrees. The College is committed to providing access to management education for large numbers of students. During the 2007-2008 academic year 671 Eller College students received scholarships totaling over $1.1 million.

Recruiting and retaining outstanding teacher/scholars is the primary means through which we achieve academic excellence. We recruited eleven new ranked faculty members to the Eller College for 07-08. These new faculty are a mix of junior faculty with Ph.D.’s from top institutions and more senior faculty with established records. Senior faculty hires added considerable strength to our departments of Accounting, Economics, Entrepreneurship, and Management and Organizations.

A particular challenge that the College faces is continuing escalation of faculty salaries in business and economics. Salaries for Eller College faculty lag behind salaries at peer public business schools in spite of the fact that our faculty salaries have risen considerably in recent years. Eller faculty salaries lag farther behind other top-50 business schools, with whom we compete for talent, because private business school salaries are higher than those of our peer group. The College is addressing this challenge with a two-pronged strategy. First, the Dean and his development staff are aggressively pursuing philanthropic gifts for faculty support and endowed chairs. Second, the College is expanding its part-time MBA offerings and non-credit executive education offerings, particularly at the new Scottsdale campus. These offerings generate significant revenue for the College and have the potential to generate more revenue over time.
II. Eller College Contributions to the University’s Strategic Plan

A. Prepare Arizona’s Youth and Ensure Access and Opportunity

Eller College educational programs cover the full spectrum of university education, from general education to professional undergraduate and master’s programs to doctoral programs. Eller is the 4th largest college at The University of Arizona in terms of total student credit hours (SCH), contributing over 10 percent of the total university SCH. Eller is the second largest college (after the College of Social and Behavioral Sciences) in terms of degrees awarded. Data on student majors and credit hours for the last four fall semesters are below.

Table One
Eller College Enrollment

<table>
<thead>
<tr>
<th></th>
<th>Fall 2004</th>
<th>Fall 2005</th>
<th>Fall 2006</th>
<th>Fall 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate SCH</td>
<td>41,262</td>
<td>41,833</td>
<td>42,212</td>
<td>40,660</td>
</tr>
<tr>
<td># Undergraduate majors</td>
<td>4,679</td>
<td>4,571</td>
<td>4,632</td>
<td>5,156</td>
</tr>
<tr>
<td>Graduate SCH</td>
<td>6,140</td>
<td>6,223</td>
<td>5,626</td>
<td>6,152</td>
</tr>
<tr>
<td># Graduate majors</td>
<td>577</td>
<td>589</td>
<td>591</td>
<td>674</td>
</tr>
<tr>
<td>Eller SCH / UA SCH</td>
<td>10.5 %</td>
<td>10.6 %</td>
<td>10.6 %</td>
<td>10.3 %</td>
</tr>
</tbody>
</table>

The number of undergraduate majors was up sharply in Fall 2007, primarily because of a jump in the number of freshman pre-business students. Approximately one-half of the 600 new freshmen in Fall 2007 were pre-business majors. Undergraduate SCH fell last fall after rising in the three prior years. This drop in SCH appears to be due to the elimination of BNAD 112L for 07-08; this class (which taught students how to use EXCEL spreadsheets) was eliminated as part of the Eller College response to the 2.5 percent budget cut for this year. BNAD 112L was a freshman class that generated about 2,000 SCH each fall. Undergraduate SCH will increase significantly over the coming semesters as the current large freshman pre-business cohort advances. Demand for our undergraduate majors continues to be strong. In fact, we just this week will deny admission to 20 percent of the students applying to Eller’s upper-division business program because of capacity limits associated with our current faculty and facilities.

Eller College is also a significant contributor to the education of students with majors in other colleges. During Fall 2007 the Eller College provided about 8 percent of university general education seats, mainly via courses offered by the Department of Economics. Many non-business students take our pre-business and business minor courses. Some
majors, such as Retailing in the College of Agriculture and Life Sciences, require pre-business courses as well as our business minor.

The Eller College is committed to providing access to management education for large numbers of students. Table Two provides data on scholarships that were awarded in Fall 2007 for the 07-08 academic year.

### Table Two
Scholarship Support 2007-2008

<table>
<thead>
<tr>
<th></th>
<th>Full Time MBA</th>
<th>Undergraduate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution from Philanthropy</td>
<td>$218,320</td>
<td>$443,275</td>
</tr>
<tr>
<td>Set-aside from Differential Fees</td>
<td>$274,121</td>
<td>$212,850</td>
</tr>
<tr>
<td>Total Scholarship Amount</td>
<td>$492,441</td>
<td>$656,125</td>
</tr>
<tr>
<td># of Scholarship Recipients</td>
<td>48</td>
<td>623</td>
</tr>
<tr>
<td>Average Scholarship Award</td>
<td>$10,259</td>
<td>$1,053</td>
</tr>
<tr>
<td>% of Student Population Receiving an Award</td>
<td>41 %</td>
<td>12 %</td>
</tr>
</tbody>
</table>

Contributions from philanthropy are financed by a combination of endowment earnings and annual gifts.

**Outreach to High School and Middle School Students**

The Accounting Careers Awareness Program had a very successful third year, bringing 22 Tucson high school students from diverse backgrounds to campus for a week in June, 2007. This program endeavors to increase students’ interest in college and careers in accounting. Ernst & Young provided $25,000 and considerable professional interaction with the students.

The McGuire Entrepreneurship Center hosted and organized an inaugural Middle School Idea Fair at Pistor Middle School in Tucson. This fair served as model for a region-wide Idea Fair that was run through the Innovation Frontier Arizona program.

In partnership with our MIS department, TUSD and Sunnyside School districts, Raytheon and the Boys and Girls Clubs our Undergraduate Programs office offered a series of tech camps for K-12 students during 2007.

**B. Engage and Graduate Students Who Can Contribute to the State, Nation, and World**

Degrees awarded for the last four years are reported in Table Three. The Eller College awards 15-16 percent of all University of Arizona degrees.
### Table Three
Eller College Degrees

<table>
<thead>
<tr>
<th></th>
<th>FY04</th>
<th>FY05</th>
<th>FY06</th>
<th>FY07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate</td>
<td>955</td>
<td>1,044</td>
<td>953</td>
<td>899</td>
</tr>
<tr>
<td>Masters</td>
<td>240</td>
<td>240</td>
<td>236</td>
<td>267</td>
</tr>
<tr>
<td>Doctoral</td>
<td>20</td>
<td>22</td>
<td>13</td>
<td>31</td>
</tr>
<tr>
<td>Total Degrees Awarded</td>
<td>1,215</td>
<td>1,306</td>
<td>1,202</td>
<td>1,197</td>
</tr>
</tbody>
</table>

An important part of how the Eller College engages and graduates students who will contribute to society is through assurance of learning processes for its programs. Such processes are mandated by the Association to Advance Collegiate Schools of Business (AACSB), the organization that re-accredited University of Arizona business programs last fall. Our report for the maintenance of accreditation review describes the learning goals for each of our programs as well as the methods used to measure student learning outcomes. Each year we examine learning outcomes as well as feedback from students and employers of our graduates to facilitate continued improvement of our programs.

**International Programs**

In 2007 we made several changes to improve students’ exposure to and knowledge of global business. Student feedback pointed to international business as an area needing improvement for both the undergraduate and MBA programs. We added a required international trip for the first year of our full-time MBA program, beginning with this year’s entering class. In January 48 MBA students traveled to Chile with a faculty member and met with business leaders and government officials to learn more about doing business in South America. In Fall 2007 we renamed our undergraduate international program, now the Global Business Program, and appointed Marketing Senior Lecturer Sue Umashankar as Director. Professor Umashankar has organized new activities for students, including a day-long workshop on business in the Middle East, and a new class for the Spring 2008 semester that includes a trip to India to visit business and government leaders.

**Law and Entrepreneurship**

The James E. Rogers College of Law and the McGuire Entrepreneurship Center have partnered to develop the Business / Law Exchange. This partnership recognizes the key role that legal and intellectual property issues play in the development of new ventures. The goal of the exchange is to further teaching and research at the intersection of business and law, with particular emphasis on entrepreneurial topics. The exchange’s first program is the Mock Law Firm, which places law college students studying entrepreneurial, corporate, IP transactions, and tax law in a mock law firm environment, with McGuire Entrepreneurship teams serving as the firm’s client pool. The purpose is to
expose both student groups to one another’s cultures and to create the opportunity to meaningfully engage and maximize venture growth through thorough understanding of legal issues. This class was taught for the first time in 2007 and was a great success.

**Doctoral Program**

One of the challenges confronting virtually all business schools is a relative shortage of doctoral business faculty. The absolute number of business Ph.D.’s produced by U.S. business schools has declined in recent years, while undergraduate enrollments in business schools have been rising. This challenge is examined in some detail in the AACSB publication *Management Education at Risk*, available at http://www.aacsb.edu/publications/metf/metreportfinal-august02.pdf

In response to this shortage we have increased the number of doctoral students in the Eller College. We believe that producing high quality graduates and placing them at good business schools is a good way to increase the reputation and visibility of the Eller College in the academic management community. In FY07 we had 31 doctoral graduates, which we believe is the highest level ever for the Eller College.

**Faculty Diversity**

Our students are taught by an accomplished and diverse faculty. Twenty-five percent of our ranked faculty are female. Twenty-five percent of our ranked faculty self-identify in an ethnic minority group; four percent are Hispanic or African-American.

C. *Provide World-Class Research that Improves the Human Condition*

Academic excellence is a priority that guides us at the Eller College, as it does throughout the broader University. Recruiting and retaining outstanding teacher/scholars is the primary means through which we achieve academic excellence. We recruited eleven new ranked faculty members to the Eller College for 07-08. These new faculty are a mix of junior faculty with Ph.D.’s from top institutions and more senior faculty with established records. Let us highlight a few of our senior faculty recruitments, to give an idea of the caliber of our hires. A complete report on 2007 recruitments is in Appendix B.

**Gautam Gowrisankaran** – Associate Professor, Economics

Prof. Gowrisankaran served on the faculty of the business school of Washington University in St. Louis. He is a leading researcher in empirical Industrial Organization, with a particular emphasis on health care issues. The addition of Prof. Gowrisankaran gives the Economics Department one of the strongest Industrial Organization groups in the country.

**Oliver Zhen Li** – Associate Professor, Accounting

Prof. Li earned his Ph.D. here in 2003 and began his career at Notre Dame University. His research focuses on the impact of taxes on business firms and their cost of financial capital. He has compiled an outstanding research record in a few short years. We hired him in 2007 as a tenured Associate Professor.
Mark Schankerman – Professor, Entrepreneurship and Economics

Prof. Schankerman was a member of the faculty at the London School of Economics. He was hired as Muzzy Chair in Entrepreneurship and Executive Director of the McGuire Entrepreneurship Center. He is one of the world’s leading empirical researchers on technology transfer and the economics of innovation.

Retention of our top faculty is just as important as recruitment. Two of our leading faculty were recruited by other schools in Fall 2007. MIS Professor Hsinchun Chen received an offer from UT San Antonio as part of their effort to build a new school of information technology. Finance Associate Professor Bill Maxwell was recruited by SMU. In each case our retention efforts were successful.

Faculty research productivity continues to be strong. One reflection of this is that many of our faculty serve on editorial boards of academic journals. Accounting Professor and Head Dan Dhaliwal is editor of The Accounting Review, a leading accounting journal. Management and Organizations Professor Russell Cropanzano is editor of the Journal of Management, a leading management journal.

Faculty research has received attention from the national media. Research on corporate cash holdings by Finance Professors Kathy Kahle and Tom Bates was covered in a recent NY Times article. MIS Professor and Artificial Intelligence Lab Director Hsinchun Chen’s research on the dark web explores communication and interaction among terrorist groups on the internet. This research was covered in articles in Business Week, Forbes, The Chicago Tribune, The International Herald Tribune, and in ABC’s 20/20 news show in Fall 2007.

Eller faculty are also involved in shaping national public policy. Economics Assistant Professor Gregory Crawford is an expert on cable TV regulation. Prof. Crawford was appointed Chief Economist at the Federal Communications Commission for 2007-08, while he is on LWOP from The University of Arizona.

Sponsored project expenditures were $5.86 million for FY06 and $2.7 million for FY07. This large drop in grant expenditures was a concern for the College last year, but the outlook going forward is promising. Grant expenditures for FY08 to date are almost up to the level attained for all of FY07. Eller faculty members are PI’s on two large recent awards. MIS Professor Sudha Ram is a PI on the $50 million NSF grant for the iPlant Collaborative. Professor Ram is a leading researcher on methods of data organization and semantic modeling. MIS Professor Jay Nunamaker is a PI on the $15 million Department of Homeland Security grant on Border Security and Immigration. Details on these and other projects may be found in Appendix C. Most of these projects are federally funded by agencies such as NSF, NIH, and Homeland Security.

While external grant funding brings in valuable resources for the institution and provides a signal of the importance and significance of faculty research activity, it is a very incomplete indication of overall research activity for a professional management school.
Departments of Accounting, Finance and Marketing are key departments for any professional management school. Top research faculty in these disciplines, both here and at other excellent universities, typically have little or no external grant funding. Measures such as publications, citations, and editorial positions provide better indicators of research success for these disciplines.

D. Partner With and Serve the People of Arizona

The Eller College partners with and serves Arizonans in a variety of ways. Both undergraduate and graduate students in our Entrepreneurship Program learn how to organize and launch a new business venture. The following student entrepreneurship projects from the 06-07 year have either been launched as new ventures or are in the process of being launched.

**RediRipe** - Launching. Won Governor’s innovation award.
Ripeness indication system using a patented, color changing fruit sticker, informing growers and customers of fruit maturity…A fruit revolution!
Team: Adam Baskin, Sean Conway, Justin Guerra, Adam Little,

**Waste2Energy**
Reducing environmental impact of landfills by processing waste into crude oil, gases, and sterile water with a positive net energy output.
Team: Melvin Cooper, Justin Cummins, Andrew Nicholas, Martin Reed
IP not secured, but team members formed Green Giants, and then acquired a local consulting firm to form a green and eco entrepreneurship consulting firm.

**GreenSun Energy Solutions** – Launched.
Onsite solar utility allowing commercial-scale energy consumers to “go solar” and reduce electricity costs with no out-of-pocket expense.
Team: Mikel Chertudi, Kate O’Toole, Ben Sample, Jake Stephens

**Innovis Technologies**
Harnessing cutting-edge molecular technologies to produce revolutionary diagnostic kits that protect the world from microbial contamination.
Team: Olin Feuerbacher, Rachana Gollaupdi, Alicia Reeves
Not yet launched, but additional research currently funded by Destech, a partnership of Desert Angels, UA OTT, and McGuire Entrepreneurship.

This list of new ventures reflects the increasing number of entrepreneurship projects that focus on environmental problems, water and energy sustainability, and biotechnology -- areas of research and outreach emphasis for the university.

The Economics and Business Research unit of the Eller College engages in outreach to a variety of constituencies. EBR Director and Economist Marshall Vest provides the Arizona Joint Legislative Budget Committee (JLBC) with policy recommendations and
tax revenue forecasts. EBR developed another forecasting component during the past year, resulting in an increase in annual funding from JLBC; the current FY contract with JLBC was renewed at $66,733. EBR runs the Forecasting Project, which provides forecasts and information about economic conditions to Arizona business leaders. EBR also works on a variety of grant-funded projects examining economic impacts of public and private projects.

Our new Scottsdale campus is providing opportunities for the Eller College to reach a broader swath of Arizonans. In Fall 2007 we recruited our first evening MBA class to be sited at the Scottsdale campus; this class was launched in January 2008. We will be offering non-credit programs at this site as well. We have a contract with Phoenix Children’s Hospital to provide health-care management classes for its physicians and directors. These classes will begin next summer. We expect to sign up other Phoenix-based health-care providers for non-credit programs later in 2008.

The Eller College continues to receive generous support from its stakeholders. In FY07 total giving to the college was $4.9 million total ($3.3M additions to endowment; $1.6 annual gifts). As of Dec. 31, 2007, the Eller College endowment stood at $56 million. These gifts provide the College with five endowed chairs (Muzzy, Halle, Anheuser-Busch, Brown–Economics, Brown–Technology Management), two quasi-endowed chairs with pledges to fill from estate (Soldwedel) or company sale (Lesk), and two term chairs (Providence and Salter).

III. A Unique Challenge for the Eller College

A particular challenge that the Eller College faces is continuing escalation of faculty salaries. Between 2005-06 and 2007-08 the average salary for our ranked faculty has gone from $130,161 to $143,111; an increase of 10 percent. In spite of this substantial increase in average salary, our faculty salaries lag behind those of peer public business schools. For the 20 public business schools that we consider to be a peer group, our full professor salaries are 5 percent behind the peer group average, and our assistant and associate professor salaries are 9 percent the peer group average. We lag farther behind other top 50 business schools, with whom we compete for talent, because private business school salaries are higher than those of our peer group.

We alluded to one source of escalating faculty salaries in Section II-B; namely, a shortage of new Ph.D.’s in business relative to strong demand for junior business faculty. Our recent experience in recruitment of Finance faculty illustrates the challenge posed by this shortage. Last year we hired an Assistant Professor of Finance, a new Ph.D. from University of Utah. The compensation package is a base salary of $165,000 plus a guarantee of 2/9 summer research support for three years (summer support is financed from private donations to the College). This base salary is $26,000 higher than the average salary of our other four Assistant Professors of Finance. We recently offered an Assistant Professor of Finance position to a new Ph.D. from Purdue University. The compensation offer was a base salary of $175,000 plus a guarantee of over 2/9 summer
research support for three years. The candidate rejected this offer to take an even higher offer from Notre Dame University.

We understand that the Eller College is not unique among UA colleges in facing financial challenges. Moreover, the commitments of resources for faculty hiring at the Eller College made by UA central administration in recent years have made it possible for our College to add ranked faculty at nationally competitive salary levels. However, the combination of the shortfall of Eller faculty salaries relative to those at peer public business schools and a likely continuing escalation of market salary levels means that the Eller College will have to find significant new financial resources from other sources if the College is to recruit and retain top faculty.

We are addressing this challenge in several ways. We continue to request and receive philanthropic gifts from alumni and other friends of the College. These gifts are vital for support of supplemental faculty awards and summer research support. Our expansion into the Phoenix area, first with our executive MBA program, and more recently with our evening MBA program, provides the College with significant new revenue streams. These programs entail significant costs associated for instruction, staff support, and facilities, but we expect there to be net revenue that can go toward faculty compensation. Moreover, we may be able to add a second evening MBA cohort in 2-3 years, further increasing net revenue to the College. Our presence in Phoenix creates other opportunities as well. We now have a full-time staff member based in Phoenix who is tasked with recruiting students and corporate clients for non-credit executive education programs that we will offer from our Scottsdale campus. Several non-credit programs are scheduled for 2008. As we continue operations in Scottsdale we anticipate development of new relationships with Phoenix-based companies that will help us recruit new students, place our graduates, and provide opportunities for our faculty and students to learn more about business practice.

IV. Appendices

A. Salary Equity Analysis

Appendix A documents variations in salaries for tenured and tenure-eligible faculty in the Eller College of Management as of December 31, 2007. Two observations about business school faculty salaries may help provide context for this salary equity report. First, the labor market for business school faculty has been relatively tight over the last decade, leading to rising market salaries for both new Ph.D.’s and more senior faculty with strong research and teaching records. Rising market salaries have contributed to salary compression both within rank and across rank in several of our departments. Second, there are often persistent differences in performance across faculty members within a given rank and department. These differences in performance contribute to individual differences in salaries over time as salary adjustments are made based on both merit and market criteria.
**Individual Differences in Salaries**

Table A in the attached file lists faculty members, their salaries and comparison ratios. Comments have been added to explain the basis for a particularly high or low comparison ratio. Most of the variation in salaries among assistant professors in any department can be explained by the number of years at The University of Arizona. New assistant professors are typically brought in at salaries that are at least close to the average market salary for new Ph.D.’s in their fields. Because of rapidly rising market salaries, this market salary may be 10 – 20 percent higher than the salary of an assistant professor hired 3-5 years earlier. The $26,000 gap between Assistant Professor of Finance salaries that was described in Section III of the annual report illustrates this pattern.

Performance differences account for a significant fraction of salary differences within the associate and full professor ranks. Faculty members who are consistently successful in their teaching and research tend to receive higher salary adjustments for merit and for retention/market than those who are less successful. Over a long period of time this process can yield large salary differences among faculty members at the same rank in the same department.

Rising market salaries for business faculty also account for some of the variation in salaries within the associate and full ranks. For instance, Oliver Zhen Li was hired in Fall 2007 as an associate professor of accounting. He was brought in at a salary that had to be competitive in order to attract him to our college. This salary is $12,000 higher than the salary of the other associate professor of accounting, and slightly higher than four of the six full professors of accounting.

**A Plan for Dealing with Salary Inequities**

The combination of persistent differences in performance across some faculty members and high external market salaries for talented, productive management faculty makes some degree of salary variation within rank inevitable. Nevertheless, we believe that there is value in reducing the degree of variation for cases in which lower paid faculty members are still valuable, active contributors to the mission of their department and the college. Three professors received equity raises in the last merit/market/equity salary adjustment process: Professors Dror and Pingry of MIS and Professor Dyl of Finance. These full professors were all being paid less than assistant professors in their departments, and still are paid less than some assistants in their department. We will continue to give some priority to raises for these faculty members on equity grounds in future distributions. We must also respond to salary compression caused by rising external market salaries. We gave priority for merit and market raises to faculty members who have been at the college for several years relative to new hires, in the last merit/market/equity adjustments. We will continue to seek funds to deal with salary compression caused by rising external market salaries.
B. Faculty Recruitments

Our FY07 faculty recruiting yielded 11 faculty hires from 17 searches. Table B in the attached file provides details for the searches. Three of our senior faculty hires were highlighted in Section II-C of the annual report.

We continue to recruit female faculty to the Eller College. Three of the 11 new faculty hires are women.

C. Research/Outreach Highlights

**Artificial Intelligence Laboratory – Hsinchun Chen, Director**
The AI Lab received $1.6 million in new NSF awards in 2007 for projects dealing with terrorism on the internet, nanotechnology development, and border security issues. Prof. Chen’s research on terrorism and the “dark web” was the subject of numerous media reports from major outlets. In the tech transfer arena, Prof. Chen and MIS colleague Daniel Zeng co-founded the International BioComputing Corporation; approved by ABOR.

**Advanced Database Research Group – Sudha Ram, Director**
The group received funding from many different sources including SAP, Raytheon Missile Systems, National Science Foundation, The National Institute of Standards and Technology, and Ford Motor Co, in 2007. These research projects are examining important issues such as, “tracking provenance and lineage of data”, “understanding and assessing data quality”, and “tracing the digital DNA of business objects across a network of organizations”. The group also participated in an interdisciplinary collaboration with the BIO5 Institute to receive $50 million for the iPlant Collaborative.

Recent pedagogical innovations from the group include courses and training for graduate students in the area of Business Intelligence and Analytics. Graduate students trained in this area from the ADRG have accepted employment and internships from companies including US Airways, Deloitte & Touche, Raytheon Missile Systems, SAP, Microstrategy, and Fidelity Inc.

**Economic Science Laboratory – John Wooders, Director**
In December 2007, ESL hosted a conference in honor of the 80th birthday of former UA Economics Professor and Nobel Laureate Vernon Smith. Participants included 30 of the leading experimental economists in the world, as well as many Eller College faculty and graduate students.